

**Finance, Revenue, and Bonding Committee**

Monday, April 29, 2019

Good Afternoon Honorable Members of the Finance Committee;

Please accept this letter in opposition of Section 1 of S.B. 1137: AN ACT CONCERNING DEPOSITS IN LIEU OF TAXES and COMMUNITY RESTORATION FUNDS, which would require nonprofits with a “significant” savings account, endowment or pension funds to pay into a state “community development account” the equivalent of 25% of the property tax the business would pay if it were not exempt from property tax.

My name is Linda Iovanna and I am a resident of Cromwell, CT and the CEO of MARC Community Resources, a private nonprofit providing services throughout Middlesex County. Community nonprofits, such as MARC, provide vital resources, programs and services to adults with a variety of intellectual and developmental disabilities (I/DD). Last year MARC was denied tax exemption status on several group homes and is currently paying taxes under protest and associated legal fees. The economic crisis is pitting nonprofits and municipalities against one another for scarce dollars, but years of stagnant reimbursement rates; decreases in many programs, has left us in a vulnerable position. Between the unbudgeted taxes and underfunded wage increase we’ve gone from an organization meeting budget to one struggling with a deficit; one that we do not know how we are going to resolve. We’ve already laid off our COO and have staffing ratios that are too lean creating workplace stress, high turnover and difficulty retaining employees. This doesn’t even begin to address our inability to pay for renovations and invest in our infrastructure. We cannot continue to squeeze nonprofits, expecting more with less. The years of underfunding are truly impacting services and we cannot sustain another blow. Nonprofits may be fortunate to have a benefactor who establishes an endowment that generates a few thousand in interest, or a pension that is an accumulation of savings for staff who’ve dedicated their lives to the work of the agency and received very low salaries despite education, or an operating account where state contractual payments are made that are ballooned at the beginning of the month but need credit line balancing to make the month end payroll, but this pittance does not justify an additional assessment. This community restoration fund funded by small nonprofits barely squeaking by is not the solution. It may in fact be the final straw. Section 1 of S.B. 1137 is yet another way that the state is financially straining the services for the people we serve.

This proposal would have a lasting effect on state policy. It has the potential to divert critical funding away from community services. The requirement of 25% tax on property, which are currently exempt from taxes, begins to dismantle the compact between community nonprofits and the government. Community nonprofits provide services that the government does not. Taxes like this one will force a lot of community nonprofits to close their doors. The need for services will not disappear; moreover, the responsibility will fall onto the government, at a substantially higher cost.

Lastly, we have contracts with the state government to provide community services. This bill would require nonprofits to pay 25% tax on property that is currently exempt; which ultimately means a portion of the money given to us by the state would not go back into the community, instead be reabsorbed by a government entity. This proposal also has the potential to erode the relationship between community nonprofits and philanthropic donors, many of whom donate to help people, not to pay taxes.

MARC Community Resources is a private provider of residential and day services to individuals with intellectual and developmental disabilities throughout Middlesex County. Our goal is to empower people with intellectual and developmental disabilities to make their own life choices and aid in the fulfillment of their dreams through

employment, houses, social, and community involvement and advocacy. In exchange to the valuable work we do throughout the community we are afforded the exemption from property, income, and sales tax.

I urge you to take no action on this proposal.